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April 24, 2003

Honorable Mayor and Members of the  
Board of Aldermen  
Town of Spring Hill  
P. O. Box 789  
Spring Hill, TN 37174

Mayor and Members of the Board of Aldermen:

We have completed our investigative audit of selected records of the Town of Spring Hill. Our audit focused on town management of new construction in the area. Our audit revealed the following weaknesses.

1. Pursuant to authorization granted in Resolution 98-39, the former mayor and former recorder entered into an agreement with a developer for the extension of a sewer trunk line to Campbell Station Development. In exchange, the developer agreed to monetary payments totaling an unspecified amount and granted the town any easements necessary to construct the sewer line. During the course of our audit, we found that the total of the agreed upon payments was \$604,276.62. However, as noted previously, the contract between the town and the developer did not specify the total amount to be paid. To properly document the town's agreements with others, the mayor and members of the board of aldermen should require that any future contracts entered into by the town specify required payment amounts, when applicable.
2. Our audit also revealed that on October 8, 2001, the contract between the town and Campbell Station Development was modified. Prior to modification, part 5(c) of the contract stated, in part:

The payment mentioned in 5(b) above, shall be paid  
by Developer at the rate of One Thousand Dollars  
(\$1,000.00) per lot, or Two Thousand Dollars

(\$2,000.00) per acre, whichever is greater until the sum of Four Hundred Thousand Dollars (\$400,000.00) is paid, after which, Developer will be required to pay the balance in full before any other plat is approved for final recording.

The modification to the contract consisted of striking out the provision “until the sum of Four Hundred Thousand Dollars (\$400,000.00) is paid, after which, Developer will be required to pay the balance in full before any other plat is approved for final recording.”

As noted previously, we found that the contracted payments totaled \$604,276.62. Therefore, the modification dropped a required lump-sum payment exceeding \$200,000. The modification was apparently initialed to indicate approval by the town administrator, current mayor, and developer. However, minutes of meetings of the board of mayor and aldermen do not indicate that any such contract modifications were ever voted on or agreed to by the full board.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 1, Section 4, states that municipal officials should ensure that complete minutes of actions taken by the legislative body are maintained including “copies of contracts entered into by officials, who must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved. . . .”

To ensure proper approval of modifications to agreements and properly document such approved changes, the mayor and members of the board of aldermen should ensure that minutes specify approval of such modifications by majority of the full board. A copy of amended contracts should be included with the applicable minutes indicating approval of the modifications.

3. Town officials agreed to reduce tap fees charged to a developer. In exchange, the developer granted the town authority to move an existing water line located on the property to a location more amenable to further town expansion and upsize the existing sewer line, also located on the developer’s property. However, no documentation of notification to the board of mayor and aldermen could be located in town records. Further, the agreement was not reduced to writing.

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Resolution 96-8 states, in part:

. . . Notice will be given to Aldermen at least seventy-two (72) hours before negotiated contracts are signed. The notice will outline the parties and property involved, the terms of the contract, and shall indicate that the Town's consulting engineer and the Town attorney have approved the contract.

Obviously, if there was no contract, the town's consulting engineer and the town attorney could not have approved the contract.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 1, Section 4, states that municipal officials should ensure that complete minutes of actions taken by the legislative body are maintained including "copies of contracts entered into by officials, who must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved. . . ."

To ensure that the board of mayor and aldermen are properly apprised of negotiated agreements entered into on behalf of the town, notification to the board of such agreements should be included in town records. All such negotiated agreements should be reduced to writing to properly delineate the obligations of all parties and avoid misunderstandings.

The board of mayor and aldermen should require and ensure corrective action regarding the above weaknesses. If you have any questions concerning the above, please contact me.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

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